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SIPDIS

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SUBJECT: EU LAUNCHES FAST-TRACK ASSESSMENT OF RELATIONS
WITH RUSSIA

Classified By: USEU POLOFF LEE LITZENBERGER; REASONS 1.5 (B,D)

1. (C) Summary. Frustrated by an increasingly sterile dialogue with Moscow, and deeply embarrassed by Italian PM Berlusconi's fawning defense of Putin at last November's EU-Russia summit in Rome, the EU is conducting an "assessment" of its relations with Russia. The goal is two-fold. First, to systematically analyze the growing list of contentious, unresolved issues that increasingly characterize the EU-Russian relationship, and identify possible recommendations for action. The second goal is damage limitation: to impose stricter policy discipline on member states to prevent future EU presidency leaders from repeating Berlusconi's freelancing. The EU hopes to complete this exercise by the time of its May summit with Russia. The EU is open to U.S. ideas, but the window is short: a first draft of the assessment could be ready for EU Foreign Ministers to consider at the February 23-24 GAERC. End Summary.

Rome Summit: Catalyst for Policy Review

2. (C) According to Kees Van Rij (protect), Solana's policy advisor for the CIS, and Council Secretariat Russia analysts Sofia Moureira de Sousa and Carl Hartzell (also protect), last year's EU-Russia summit in Rome drove home the need to reassess EU policy toward Russia in two major ways. First, the EU found Putin and the Russians increasingly intransigent and hard-headed on a wide range of issues -- from Chechnya to EU enlargement to Kyoto. EU frustration on this score is, according to our contacts, matched only by that of Russia, which feels the EU is ignoring its concerns. Second, Italian PM Berlusconi's shameless defense of Putin during the summit press conference last November took the teeth out of an agreed EU policy to press Russia to address human rights concerns about Chechnya, promote internal political and economic reforms, and engage constructively on issues such as the frozen conflicts in Moldova and the Caucasus.

EU Ministers Criticize Italy; seek policy discipline

3. (C) According to our contacts, at the December GAERC following the Rome summit with Russia, EU Foreign Ministers criticized Italy for having undermined agreed EU positions and abandoned its obligations to subsume bilateral views to those agreed among members. The ministers called for the EU to assess its Russia policy prior to the May 2004 EU-Russia summit. Privately, our EU contacts tell us that other EU member states were furious over Berlusconi's performance at the Rome summit, which press reports indicated led to renewed calls to eliminate the EU's current six-month rotating Presidency. Kees Van Rij has often expressed to us his frustration that every EU presidency since Putin was elected -- with the notable exception of Denmark on the issues of Chechnya and Kaliningrad -- has talked tough on Russia right up to the summit meeting, when they have unceremoniously dumped all tough language and have sought to woo Putin. For Van Rij, though, Berlusconi went over the top. Thus, one purpose of reassessing EU policy towards Russia is to reinforce internal EU discipline in order to limit future presidency countries' ability to depart from agreed policy at Russia-EU summits.

EU frustration at long list of issues going nowhere

4. (C) The second stimulus behind the EU's review of its Russia policy also arose at the Rome summit. At Rome, the EU found the Russians to have adopted much tougher positions than previously on a wide range of issues. The increasingly sterile dialogue has led to a growing list of outstanding, contentious issues between the EU and Russia. These include:

-- Enlargement: The Russians continue to press for "compensation" from the EU for what it claims will be the economic costs of EU enlargement. This issue is a non-starter for the EU, whose officials view enlargement as bringing a huge lucrative market to Russia's doorstep, and who assert that every study they've seen shows enlargement will result in a net economic benefit for Moscow.

-- Partnership and Cooperation Agreement (PCA): As a consequence of enlargement, the EU has called on Russia to

ratify the PCA with the ten accession countries. Russia has delayed, seeking to link the extension to visa free travel for Russian citizens to EU countries, or to easier WTO accession terms. The EU contends that unless this issue is resolved by May 1, the existing PCA will not be valid, and the EU will have no basis for formal relations with Russia. Russia has recently indicated it is considering a temporary extension of the PCA after May, pending resolution of the "compensation" issue. EU exasperation on this issue cannot be overestimated -- Van Rij commented that continued Russian insistence on this issue will force the EU to choose between relations with Russia or EU enlargement. "What's more important?" he asked, "If we are forced to choose, we'll choose EU enlargement."

-- Chechnya: The EU has gotten nowhere with its repeated demarches to Moscow on the need, at a minimum, to facilitate delivery of EU-funded humanitarian aid to Chechen refugees. The Russians allege that NGO's in the region are sympathetic to the separatists and their mission is anything but humanitarian.

-- Near Abroad: Russia resists all attempts by the EU to put issues related to Belarus, Moldova, Ukraine or the Caucasus on the bilateral agenda. On Belarus, the Russians tell the EU to trust in Russian influence to civilize Lukashenko. On Moldova, the Russians do not acknowledge that the common EU border that will result from enlargement (after Romania and Bulgaria join in 2007) gives the EU a legitimate interest -- and voice -- in resolution of the Transnistrian conflict.

-- Kyoto: Russia's announcement in Rome that it does not intend to ratify Kyoto pulled the rug out of EU efforts to bring the protocol into force, and is a major setback for one of the EU's highest-profile environmental policy goals.

EU objectives and timetable

15. (C) Moreira de Sousa said the purpose of the assessment is to catalogue and analyze the challenges to the relationship -- the list of outstanding issues -- set objectives and, if possible, develop recommendations on how to engage Russia to achieve EU goals in each area. The timetable is short: to be ready for the next EU-Russia summit in May, EU officials are scrambling to have a paper for ministers to consider at the February 23-24 GAERC. They acknowledge this deadline may be missed, but certainly by the March 22-23 GAERC the EU will have completed its assessment. EU goals for the exercise are threefold: to resolve outstanding enlargement issues; develop a positive dialogue with Russia on the near abroad, and to manage the EU's trade and WTO related issues with Moscow.

Frozen conflicts: what about Northern Ireland?

16. (C) For example, Moreira de Sousa told us recently, when the EU raises issues such as Moldova/Transnistria, the Russians say they want to put Northern Ireland and Cyprus on the agenda. The EU has resisted this, but the Irish presidency agreed earlier this year to discuss Northern Ireland with Russia, if only to remove this as an excuse for Russia not to engage on issues in the near abroad.

EU open to U.S. influence

17. (C) EU officials are open to engaging with the U.S. as they assess their relations with Russia. U.S.-EU COEST Troika talks on February 9 (Caucasus and Central Asia) and on March 16 (Russia, Ukraine, Moldova and Belarus) offer opportunities to do so, but our window is relatively short. Working back from the May summit, the outlines of the EU's approach will have to gel by late February or early March.

Comment: Venus and Mars

18. (C) In spite of the current hiccups in EU-Russian relations, keeping the relationship on an even keel is too important for both sides to allow a major disruption. The EU is Russia's largest trading partner, and Russia provides 15-20 percent of Europe's energy supplies. Both of these indicators will increase with enlargement. However, both sides are frustrated by the extra level of effort required to maintain an increasingly sterile dialogue. The EU sees enlargement as an internal issue and a fait accompli that is coincidentally beneficial to Russia, and thus expects nothing less than Russian acquiescence. The Russians appear to view their acceptance of EU enlargement as a major concession and expect the EU to offer a quid pro quo. With enlarged borders that join Russia, Belarus, Ukraine and soon Moldova, the EU considers its stake in the stability of these countries to be equal to Russia's. Russia has not accepted this. EU Enlargement is shifting the economic and political balance of power in the EU-Russian relationship in ways neither side has fully grasped. We expect both sides will seek to come to terms, one way or another, with the immediate impact of enlargement during the May summit. But enlargement means

that the EU's horizons have moved eastward -- and now overlap plenty of areas the Russians consider their natural zones of influence -- so tensions similar to those we are seeing now will persist for some time.

SCHNABEL